

Message Text

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PAGE 01 LAGOS 05131 250718Z
ACTION AF-10

INFO OCT-01 EUR-12 ISO-00 EB-08 CIAE-00 DODE-00 INR-10
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E.O. 11652: N/A
TAGS: BENC, ECRE, EMIN, NI, UR
SUBJECT: MAJOR PROJECT FOLLOW-UP: AJAOKUTA STEEL MILL

REF: (A) LAGOS A-90 OCTOBER 8, 1977, (B) 77 LAGOS 10756

1. DECLINING PETROLEUM REVENUES AND CONSEQUENT BUDGETARY
BELT TIGHTENING SEEM TO BE SLOWING ALREADY GLACIAL PROGRESS
OF SOVIET DESIGNED BLAST FURNACE AND STEEL MILL COMPLEX AT
AJAOKUTA.

2. BECHTEL REPRESENTATIVE TOLD EMBASSY PETROLOFF IN MID-
MARCH THAT BECHTEL WAS DEFINITELY GOING AFTER AJAOKUTA CIVIL
WORKS CONTRACT, WOULD BID SERIOUSLY, ALTHOUGH PERHAPS NOT
IN EXACT FORM FMG HAD ASKED. BECHTEL PLANNED TO BID JOINTLY
WITH GUTIERREZ OF BRAZIL, WHICH, LIKE BECHTEL, IS NEGOTIATING
WITH NIGERIAN GOVERNMENT TO FORM LOCALLY BASED JOINT-VENTURE
CONSTRUCTION COMPANY. MAIN MOTIVE FOR PARTNERSHIP IS THAT
BECHTEL HAS SURPLUS CRUZEIROS IN BRAZIL WHICH IT CAN USE
TO HIRE LOW-COST BRAZILIAN WORKERS AND PURCHASE BRAZILIAN
EQUIPMENT. LINKUP ALSO TIMELY STRATEGY BECAUSE BRAZIL
DEVELOPING INCREASINGLY STRONG BUSINESS TIES WITH NIGERIA
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THROUGH EMPHASIS ON COMMON CULTURAL HERITAGE.

3. CONFERENCE OF BIDDERS ON CIVIL WORKS WAS HELD AT
AJAOKUTA IN MID-MARCH EVEN THOUGH JOINT-VENTURE CONSTRUCTION
COMPANIES HAD NOT YET SIGNED AGREEMENTS WITH FMG. ACCORDING
TO LOCAL BECHTEL REPRESENTATIVE, BIDS WERE TO BE OPENED
APRIL 17 AT NIGERIAN STEEL DEVELOPMENT AUTHORITY OFFICES

IN LAGOS. AFTER WAITING THREE HOURS COMPANY REPRESENTATIVES WERE TOLD THAT OPENING HAD BEEN POSTPONED. IN FORMAL LETTER DELIVERED TO COMPANIES NEXT DAY, NSDA APOLOGIZED FOR SUDDEN DELAY AND SAID IT COULD NOT TELL WHEN I WOULD BE POSSIBLE TO OPEN BIDS. LETTER THEN SUGGESTED THAT IN MEAN-TIME, NSDA WOULD WELCOME COMPANIES WORKING UP AND SUBMITTING PROPOSALS INDICATING HOW THEY COULD FINANCE CIVIL WORKS CONTRACT. BECHTEL REPRESENTATIVE ALSO HEARD RUMOR THAT FMG POSTPONED OPENING OF BIDS TO ENABLE FOUR ADDITIONAL FIRMS TO BID, INCLUDING JULIUS BERGER, STRABAG OF AUSTRIA AND FOUGEROLLE OF FRANCE. BECHTEL REP SAID THIS RUNS COUNTER TO UNDERSTANDING PROSPECTIVE JOINT-VENTURE COMPANY PARTNERS THOUGHT THEY HAD WITH FMG THAT BIDDING WOULD BE RESTRICTED TO JOINT-VENTURE COMPANIES.

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